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C O N F I D E N T I A L NASSAU 001225

SIPDIS

STATE FOR WHA/CAR WBENT

E.O. 12958: DECL: 07/01/2010

TAGS: [ENRG](#) [PREL](#) [BF](#)

SUBJECT: PETROCARIBE: "A DREAM COME TRUE" FOR MINISTER MILLER

REF: A. NASSAU 1191

[B](#). NASSAU 754

Classified By: DCM Robert M. Witajewski, Reasons 1.4 b and d

[1](#)1. (C) Trade and Industry Minister Leslie Miller returned from Venezuela on June 30 waving the PetroCaribe agreement and declaring cheap gas prices in our time. Minister Miller stated that, "What we got from the Venezuelans is a dream come true. This is an extraordinary agreement, one that I have been behind for the past two and a half years."

[1](#)2. (C) Minister Miller claimed he could not go into the details of the PetroCaribe contract until he had first addressed Cabinet. He stated, however, that the Bahamas Electricity Corporation would save "between \$10 million and \$15 million per year." Bahamian motorists, he continued, would see gas prices decline by anywhere from 65 cents to \$1 per gallon.

[1](#)3. (C) According to Minister Miller, the program comes into effect immediately. "We are now going to implement this PetroCaribe initiative as soon as possible because gas is scheduled to go over \$4 per gallon this month. We now need to set up a national energy corporation because they (Venezuela) are not going to sell to a private corporation." Miller added that the oil would be supplied through PDV Caribe, a subsidiary of the Venezuelan state-run conglomerate, PDVSA.

[1](#)4. (C) Shell's local representative stated that his company remained in the dark about PetroCaribe and had not been made aware of any of the details of the agreement. He underscored the complexity of the energy business and wondered how the Bahamian government planned to deal with issues such as shipping, storage facilities, inventory levels, and a supply network. (Reportedly, Shell has in recent months also been seeking a buyer for its Bahamas operations fearing that Miller's plans might actually come to fruition.)

COMMENT

[1](#)5. (C) Reducing the price of gas in The Bahamas without reducing either wholesaler or dealer profit margins or the government tax has long been one of Leslie Miller's signature theme projects. His past predictions of cheap gas in our time have gone unfulfilled while he has lurched from political gaffe to political gaffe. The local oil companies have long been suspicious of his maneuverings and have challenged his proposals both publicly and privately. His permanent secretary, the senior civil servant in the ministry, has long given up trying to explain to him the economics of the oil business in general and in The Bahamas in particular. On top of this, The Bahamas does not have a national energy corporation. Minister Miller very much wants one to be created under the authority of his ministry (reftels). He talks of "eliminating the middle man" but even if a national energy corporation were created it would have little choice but to rely on the existing supply networks run in The Bahamas by Shell, Esso and Texaco, in essence making the government an additional middle man. The lack of consultation with the local oil companies suggests that any real changes to The Bahamas' energy market remains a distant dream.

[1](#)6. (C) Other public corporations in The Bahamas -- the national airline, the national telephone company, and the national electricity company -- are the butt of cynical jokes regarding their overstaffing, waste, and inefficiency. Ordinarily, conservative, free-market Bahamians would dismiss the idea of creating yet another public entity out of hand. But if the alternative is to have to give up their beloved SUV's and pick-up trucks, many Bahamians may well be caught on the horns of a serious dilemma and conclude that another wasteful public entity is the lesser of two evils.

ROOD